

**Defense Advanced Research Projects Agency (DARPA)  
Information Resources Directorate (IRD)**

Attachment No. 3

Award Fee Plan

## A. INTRODUCTION

1. This plan covers the administration for the award fee provisions of:

Contract No.

With: (Company)

2. This document outlines the process for evaluating adherence with the Statement of Work (SOW) and Service Level Objectives (SLOs) and identifies how award fee under the contract will be apportioned.

Evaluation management will be accomplished through a four-step approach, which will measure, examine, correct and continually improve the service level objective metrics in effect for DARPA Unclassified IT managed seat services. The following outlines each step of the SLO management process. These steps will be implemented immediately upon contract award.

Step 1: Measure, Gather & Report Data for relevant SLOs

Time Frame – Daily, Weekly, Monthly

Cycle Time - Continuous

Step 2: Examine Results

Time Frame – Daily, Weekly, Monthly

Cycle Time – Continuous

Step 3: Recommend Corrective Action

Time Frame – Daily, Weekly, Monthly

Cycle Time – Continuous

Step 4: Continuous Improvement

Time Frame – Daily, Weekly, Monthly

Cycle Time – Continuous

By implementing this process, DARPA will institutionalize a problem-solving organizational structure, encouraging a pervasive mindset of continuous improvement. The entire process will be repeated in an iterative cycle, which may generate new service activity requirements or changes to existing ones, while maintaining the ultimate goal of user satisfaction.

The Government reserves the right to engage independent contractors to monitor, investigate and evaluate contractor performance. The government, or its designees, will conduct periodic, unannounced audits in support of the data gathering process.

Any Award Fee not earned in any award period will be rolled over at the discretion of the Fee Determination Official (FDO) to the next award period.

## **B. ORGANIZATIONAL STRUCTURE FOR AWARD FEE ADMINISTRATION**

The following organizational structure is established for administering the award fee provisions of the contract. Note that this structure is subject to change at the discretion of the Government.

### **1. Fee Determination Official (FDO)**

a. The FDO is the Director of Office of Management and Operations, Defense Advanced Research Projects Agency (DARPA). The FDO reserves the right to consult advisors in addition to those named in this document without notifying the contractor.

b. Primary FDO responsibilities are:

- (1) Determining the award fee earned and payable for each evaluation period.
- (2) Changing the matters covered in this plan.

### **2. Award Fee Board (AFB)**

a. The Award Fee Board is made up of the following members:

- Director of Office of Management and Operations (OMO), Chairperson,
- Assistant Director, Program Management (ADPM) for OMO,
- Contracting Officer (CO),
- Contracting Officer Representative (COR),
- Director of Information Resources Directorate,
- Director of Security and Intelligence Directorate,
- Business Applications Representative, and
- Technical Office ADPM.

b. Primary Award Fee Board Members' Responsibilities are:

- (1) Evaluate contractor performance based on recommendations provided by Subject Matter Experts (SMEs) and other personnel, as appropriate.

### **3. Subject Matter Experts (SMEs)**

a. Subject Matter Experts will be assigned to report to the Award Fee Board on the following areas: Customer Service, Networks and Technical Offerings, Information Assurance, and Comptroller/Legacy Applications. SME assignments may be changed at

any time without notice to the contractor. The government reserves the right to consult independent contractors to assist and conduct performance evaluation.

b. Primary SME responsibilities are:

(1) Monitoring, evaluating and assessing contractor performance in assigned areas.

(a) SMEs will conduct all assessments in an open, objective and cooperative spirit so that a fair and accurate evaluation is obtained. This will enhance contractor receipt of information from which to plan improvements in performance. Positive performance accomplishments should be emphasized just as readily as negative ones.

(b) SMEs will discuss the results with the Government COTR and Award Fee Coordinator (AFC), as appropriate, noting any observed deficiencies and/or accompanying recommendations.

(c) SMEs will avoid any activity or association which might cause, or give the appearance of causing, a conflict of interest.

(d) SME discussions with contractor personnel are not to be used to instruct, to direct, to supervise, or as an attempt to control these personnel in the performance of the contract. The role of the SME is to monitor, assess, and evaluate, not to manage the contractor's effort.

(2) Periodically SMEs will be prepared to make verbal reports as required by the AFB or FDO.

(3) Recommending to the FDO, through the COTR, appropriate changes in this plan for consideration.

#### **4. Award Fee Coordinator (AFC)**

a. The AFC may also be the Contracting Officer's Technical Representative (COTR).

b. The AFC is the official of the Defense Advanced Research Projects Agency (DARPA) who assures that the overall evaluation process is conducted in accordance with current DARPA policies and practices. The AFC coordinates the development of and changes to the Award Fee Performance Evaluation Plan, and prepares the FDO's official correspondence on the fee determination to the contractor's general management.

c. The AFC will assure that each SME receives the following:

(1) A copy of the contract and all modifications.

- (2) A copy of this plan along with any subsequent changes thereto.
- (3) Appropriate orientation and guidance.
- (4) Specific instructions applicable to SME-assigned performance areas.

d. The AFC shall provide to the Contractor information pertaining to adverse items or areas of poor performance to afford the Contractor an opportunity to clarify possible misunderstandings and to correct or resolve deficiencies.

### **C. METHOD FOR DETERMINING AWARD FEE**

A determination of the award fee earned for each evaluation period will be made by the FDO after the end of the period. The method to be followed in monitoring, evaluating, and assessing contractor performance during the period, as well as for determining the award fee earned, is described below.

- 1. SMEs will monitor, evaluate, and assess contractor performance.
- 2. SMEs will make verbal presentations to the AFB or FDO, as requested.
- 3. As appropriate, the AFB or FDO may request and obtain performance information from other units or personnel normally involved in observing contractor performance.
- 4. Periodically, the AFB or FDO will consider Performance Evaluation Reports and other performance information obtained and discuss the reports and information with SMEs or other personnel, as appropriate.
- 5. Approximately 21 days after the end of a period the COTR or his designate will meet with the contractor and discuss preliminary findings and recommendations. As requested by the COTR, SMEs and other personnel involved in performance evaluation will attend the meeting and participate in discussions. At this meeting, the contractor will be given an opportunity to submit or respond to any additional matters in its behalf.
- 6. Approximately 45 days after the end of the evaluation period, the AFC will convene the Award Fee Board to discuss the award fee with the Board Members and other personnel, as appropriate. The contractor will present its self-evaluation to the Award Fee Board. If requested by the FDO, other personnel involved in performance evaluations may be required to attend the meeting. The Board will make award fee recommendations to the FDO.

7. The FDO, in coordination with the Contracting Officer, will determine the amount of award fee earned during the period within the guidelines specified herein. The FDO's determination of the amount of award fee earned and the basis for this determination will be stated in the Award Fee Determination Report (AFDR). The report will be signed by the FDO and forwarded to the Contracting Officer to be provided to the Contractor for attachment to its voucher requesting payment of the award fee.

8. The contractor will submit a mid-term assessment.

A detailed award fee determination schedule is included as Exhibit A.

#### **D. AWARD FEE EVALUATION CRITERIA**

The award fee structure evaluation areas include the entire Statement of Work and Service Level Objectives and are divided as identified below:

1. Information Assurance Services
2. Customer Information Technology (IT) Services
3. Program Management Services
4. DARPA Service Delivery Points
5. Special Projects
6. Catalog Services
7. Expert Assistance
8. Transition Services (when applicable)

For any performance period, evaluation areas and their associated evaluation criteria and weights may be changed to reflect the type of work being performed or changes in program emphasis. The relative weights of the evaluation areas will be determined prior to the period of evaluation.

#### **E. CHANGES IN PLAN COVERAGE**

##### **1. Right to Make Unilateral Changes**

Any matters covered in this plan not otherwise requiring mutual agreement under the contract, may be changed via a unilateral contract modification by the Contracting Officer. The changes will be made before the start of the applicable evaluation period.

##### **2. Method for Changing Plan Coverage**

a. Personnel involved in the administration of the award fee provisions of the contract are encouraged to recommend changes in plan coverage with a view toward changing management emphasis, motivating higher performance levels, or improving the award fee determination process. Recommended changes should be sent to the AFC for consideration and drafting.

- b. Prior to the end of each evaluation period, the AFC will submit changes applicable to the next evaluation period for approval by the FDO with appropriate comments and justification, or inform the FDO that no changes are recommended for the next period.
  
- c. The FDO will notify the Contracting Officer before the beginning of the next evaluation period what changes, if any, are to be applied and the Contracting Officer will make the changes via a unilateral contract modification as stated in paragraph one above. If the contractor is not provided with this modification before the beginning of the next period, the existing plan coverage will continue in effect for the next evaluation period. The changes may be provided by facsimile.

**ACTIONS AND SCHEDULES FOR AWARD FEE DETERMINATIONS**

The following is a summary of the principal actions involved in determining the award fee for each evaluation period (note all days are calendar days).

<u>Action</u>	<u>Schedule</u>
1. The contract is modified to incorporate any changes to the award fee plan.	Prior to Period.
2. SMEs assess performance.	Ongoing.
3. SMEs submit periodic Performance Evaluation to the AFB.	As required.
4. COTR considers Performance Evaluation reports and other obtained performance information and discusses overall performance with contractor during period.	Ongoing.
5. SMEs submit final Performance Evaluations to AFB.	Approximately 15 days after end of period.
6. Contractor submits self-evaluation of performance during period to AFB.	15 days after end of period (monthly, mid-term and quarterly).
7. COTR, or designate, meets with contractor to discuss contractor self-evaluation and the findings and positions of the SMEs.	Approximately 21 days after end of period.
8. AFC convenes Award Fee Board.	Approximately 45 days after end of period.
9. FDO transmits award fee decision and AFDR to Contracting Officer.	Approximately 52 days after end of period.
10. Contracting Officer modifies contract to incorporate award fee.	Approximately 60 days after end of period.